

Message Text

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SUBJ: EC FOREIGN MINISTERS COUNCIL, JUNE 26-27:
SHIPBUILDING

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1. SUMMARY: THE JUNE 26-27 EC FOREIGN MINISTERS COUNCIL
HELD ITS INITIAL DEBATE ON THE EC COMMISSION'S PROPOSAL
FOR A PROGRAM TO DEAL WITH THE CRISIS IN THE COMMUNITY'S
SHIPBUILDING SECTOR (REFTEL) BUT TOOK NO DECISIONS.
DISCUSSION DID CONFIRM, HOWEVER, THAT EVEN THOUGH MOST MEM-
BER STATES SUPPORT THE NEED FOR COMMUNITY ACTION IN THIS
SECTOR, STRONG DIFFERENCES OF OPINION EXIST OVER SPECIFIC
MEASURES TO BE ENACTED. THE UK WAS PARTICULARLY SKEPTICAL
OF THE COMMISSION'S PROPOSALS CONCERNING A ROLE FOR MARKET
FORECASTING IN RESTRUCTURING AND THE CREATION OF A SPECIAL
EC COMMITTEE TO DISCUSS PROBLEMS IN THE SHIPBUILDING
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SECTOR. DISCUSSION IS TO RESUME AT THE JULY 25 COUNCIL
SESSION. END SUMMARY.

2. ACCORDING TO A COMMISSION SPOKESMAN, MOST MEMBER
STATES SUPPORTED THE COMMISSION'S CALL FOR COMMUNITY
ACTION TO ALLEVIATE THE SHIPBUILDING SECTOR CRISIS. HOW-
EVER, THE UK WAS MOST VOCAL IN EXPRESSING CONCERN THAT

SUCH A POLICY SHOULD IN NO WAY PREJUDICE NATIONAL EFFORTS. THE UK SPECIFICALLY QUESTIONED THE COMMISSION PROPOSALS FOR REDUCING COMMUNITY SHIPBUILDING CAPACITY, ASSERTING THAT THESE HAD BEEN BASED ON UNRELIABLE FIGURES. THE SPOKESMAN SAID THAT THE NETHERLANDS AND ITALY WERE THE STRONGEST ADVOCATES OF A COMMON EC SHIPBUILDING POLICY, BOTH WITH RESPECT TO RESTRUCTURING AND IN THE CONTEXT OF INTERNATIONAL DISCUSSIONS WITH OTHER SHIPBUILDING STATES. THE NETHERLANDS ALSO WARNED THAT, ALTHOUGH JAPAN HAS MADE SIGNIFICANT EFFORTS TO REDUCE ITS OWN CAPACITY, THE GOJ MAY NOT BE ABLE TO RESIST STRONG INTERNAL PRESSURE TO EXPAND CAPACITY SHOULD THE EC TAKE NO ACTION OF ITS OWN. THE SPOKESMAN SAID THE ITALIANS INSISTED THAT, WHILE THE EC SHOULD NOT LOSE SIGHT OF ITS MILITARY SHIPBUILDING NEEDS, IT SHOULD NONETHELESS BEGIN SERIOUS DISCUSSION OF WHAT ITS OVERALL CAPACITY SHOULD BE, PARTICULARLY IN COMPARISON WITH JAPAN AND LDC STATES.

3. UK MINISTER OF STATE JUDD TOLD REPORTERS AFTER THE MEETING THAT HMG FEELS THE COMMISSION PROPOSALS PLACE UN-DUE EMPHASIS ON FORWARD ANALYSIS BASED ON MARKET FORCES, WHICH HE TERMED TOO CYCLICAL TO BE OF ANY VALUE. HE SAID THAT THE EC SHOULD INSTEAD TAKE GREATER ACCOUNT OF THE STATE OF ORDER BOOKS. JUDD POINTED OUT THAT THERE HAS BEEN A SIGNIFICANT DEGREE OF CAPACITY REDUCTION IN THE UK IN RECENT YEARS (30 PERCENT SINCE 1974), AT CONSIDERABLE UNCLASSIFIED

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SOCIAL COST, WITH 10,000 JOBS LOST IN THE UK SHIPBUILDING INDUSTRY DURING THE LAST 6 TO 8 MONTHS. HE SAID THAT THE UK IS DUBIOUS THAT THE COMMISSION PROPOSALS WOULD HAVE ANY IMMEDIATE EFFECT ON THE LEVEL OF SHIPBUILDING, AND POINTED OUT THAT THEY DO NOT DEAL WITH THE COMPETITIVENESS OF THE EC INDUSTRY. HE ADDED THAT THE UK FEELS MANY OF THE MEASURES PROPOSED BY THE COMMISSION SHOULD BE APPROACHED ON THEIR OWN MERITS IN THE CONTEXT OF MUCH WIDER ORGANIZATIONS, SUCH AS IMCO. HE SAID THAT THE UK IS PARTICULARLY SKEPTICAL OF THE NEED TO ACCEPT THE COMMISSION'S PROPOSAL FOR THE CREATION OF A HIGH-LEVEL EC SHIPBUILDING COMMITTEE AND THAT HMG IS NOT CONVINCED THAT ALL THE NECESSARY MACHINERY FOR CONSULTATION DOES NOT ALREADY EXIST.

4. THE COMMISSION SPOKESMAN TOLD REPORTERS THAT COMMISSIONER DAVIGNON DEFENDED HIS PROPOSALS AGAINST UK QUESTIONING BY EMPHASIZING THAT THE COMMISSION HAS PROOF OF THE BAD STATE OF THE EC SHIPBUILDING SECTOR, IN THAT MEMBER STATE AIDS TO THE INDUSTRY NOW TOTAL BETWEEN 500 AND 600 MILLION UNITS OF ACCOUNT PER ANNUM (ONE U.A. CURRENTLY EQUALS ABOUT \$1.24). ACCORDING TO THE SPOKESMAN, DAVIGNON ALSO EXPRESSED DISAPPOINTMENT AT THE UK ATTITUDE, ADDING

THAT THE COMMISSION HAD HOPED FOR A MORE CONSTRUCTIVE UK
CONTRIBUTION TO DEBATE. HINTON

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